



Arizona State Senate **Background Brief**

September 21, 2006

Note to Reader:

The Senate Research Staff provides nonpartisan, objective legislative research, policy analysis and related assistance to the members of the Arizona State Senate. The *Research Briefs* series, which includes the *Issue Brief*, *Background Brief* and *Issue Paper*, is intended to introduce a reader to various legislatively related issues and provide useful resources to assist the reader in learning more on a given topic. Because of frequent legislative and executive activity, topics may undergo frequent changes. Additionally, nothing in the *Brief* should be used to draw conclusions on the legality of an issue.

FEDERAL POVERTY LEVELS

HISTORY

Poverty thresholds were initially developed in 1963-1964 by Mollie Orshansky of the Social Security Administration. In a 1965 Social Security Bulletin article, Ms. Orshansky presented an analysis of the poverty population using the poverty thresholds as a measure of income inadequacy; that is, showing what level of income is too little to meet a family's annual needs. The poverty thresholds were based on the cheapest of four food plans developed by Department of Agriculture dieticians. This food plan was "designed for temporary or emergency use when funds are low." A 1955 survey showed that the average family spent one-third of their after tax income on food. Therefore, Ms. Orshansky set an income threshold that was equal to this minimally adequate diet multiplied by three. Pretax family income was compared to the threshold to determine a family's poverty status.

The initial thresholds developed by Ms. Orshansky included a matrix of 124 poverty thresholds, differentiating for family size, farm/nonfarm status, sex of the family head, number of family members who were children and aged/nonaged status. Over time, the poverty thresholds were updated and revised, such as eliminating the differential for farm/nonfarm and removing the distinction between "female-headed" and "male-headed" families. These changes reduced the matrix from 124 thresholds to 48.

In 1969, the Bureau of the Budget (the predecessor of the Office of Management and Budget) designated the poverty thresholds as the federal government's official statistical definition of poverty. These poverty thresholds are now updated annually by the Census Bureau using the Consumer Price Index for All Urban Consumers. They are the statistical version of the poverty measure and are used for calculating the number of persons in poverty in the United States and related poverty statistics. Because poverty thresholds for a particular calendar year are not published in final form until late summer of the following calendar year, "poverty guidelines" were developed to avoid the use of two-year-old data when determining eligibility for programs during the first half of each year.

APPLICATION OF FEDERAL POVERTY LEVELS

Poverty guidelines, which are issued by the United States Department of Health and Human Services (HHS), are the simplified administrative version of the poverty measure and are used in determining eligibility for certain federal and state programs. In Arizona, and in the Arizona Revised Statutes, the federal poverty guidelines are often referred to as the “federal poverty level.”

Government programs that use poverty guidelines to determine eligibility include the Arizona Health Care Cost Containment System; the Children’s Health Insurance Program; child care subsidies; Community Services Block Grants; Head Start; Low-Income Home Energy Assistance; Food Stamps, Older Americans Act programs; the National School Lunch and School Breakfast programs; Job Corps; short-term crisis services, primarily food and

shelter; Social Security Block Grants; and the Special Supplemental Nutrition Program for Women, Infants and Children. In addition, some private entities, including telephone companies, utilities and pharmaceutical manufacturers, use the poverty guidelines for low income customer assistance programs.

Below is a chart of the most recently published federal poverty guidelines. The poverty guidelines are typically published each year during the month of February.

ADDITIONAL RESOURCES

- U.S. Department of Health and Human Services
www.hhs.gov
- The 2006 HHS Poverty Guidelines, U.S. Department of Health and Human Services
<http://aspe.hhs.gov/poverty/06poverty.shtml>
- U.S. Census Bureau
www.census.gov

2006 HHS POVERTY GUIDELINES

<u>Persons in Family or Household</u>	<u>48 Contiguous States and D.C.</u>	<u>Alaska</u>	<u>Hawaii</u>
1	\$9,800	\$12,250	\$11,270
2	13,200	16,500	15,180
3	16,600	20,750	19,090
4	20,000	25,000	23,000
5	23,400	29,250	26,910
6	26,800	33,500	30,820
7	30,200	37,750	34,730
8	33,600	42,000	38,640
For each additional person, add:	3,400	4,250	3,910